

1 **NLH-IC-20 IAS 16 (68) states that “the gain or loss resulting from the derecognition of**  
2 **an item of property, plant and equipment shall be included in profit or loss**  
3 **when the item is derecognized.” Has Ms. Lee considered the IFRS**  
4 **requirement in IAS 16(68) in this comment regarding the treatment of**  
5 **retirement of assets from the group, more specifically the debiting of the**  
6 **cost of the asset to the accumulated depreciation account and the crediting**  
7 **to the asset account with no gain or loss being recognized?**

8 **RESPONSE:** Ms. Lee assumes this question relates to the retirement of assets within the  
9 group or account. Ms. Lee is not an accountant, but as she understands, the  
10 retirement of the assets will be at the full cost of the given asset. In other words,  
11 if the asset has an in-plant cost of \$1,000, it will be retired at \$1,000, no more  
12 and no less. Thus, there will be no gain or loss.

13 Hydro intends to continue to record gross salvage as revenue and cost of  
14 removal as a current expense. Response to RFI IC-NLH-68 states that gross  
15 salvage is recorded as revenue for both regulatory and financial accounting  
16 purposes. Cost of removal is generally expensed with the exception of two asset  
17 retirement obligations (AROs) that are being accounted for separately. Hydro  
18 goes on to state that its treatment of gross salvage and cost of removal is in  
19 accordance with IFRS. In neither case would these be charged to the  
20 depreciation reserve. In fact, Hydro states that removal costs have never been  
21 recovered through depreciation expense.